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260 FRANKLIN STREET
BOSTON, MA 02110-3173

(617) 748-6800

FACSIMILE (617) 439-0341

E-MAIL ADDRESS MEABH.PURCELL@LLGM.COM

WRITER'S DIRECT DIAL (617) 748-6847

WRITER'S DIRECT FACSIMILE (617) 897-9047

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June 18, 2003

Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications
and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Fitchburg Gas and Electric Light Company: D.T.E. 00-48
Gas Energy Efficiency Program Updates

Dear Ms. Cottrell:

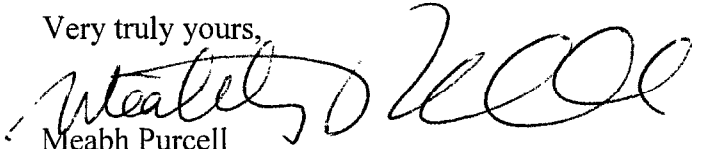
On behalf of Fitchburg Gas and Electric Light Company ("FG&E") enclosed for filing in the above-referenced proceeding please find an original and nine (9) copies of a revised Appendix E "Proposed Performance Incentive" to FG&E's Year-End 2002 Status Report and Proposed Program Updates. The revised calculation replaces the original Appendix E filed with the Department on March 18, 2003, which was based upon a proposed performance incentive equal to an after tax amount of 5% of program costs. As agreed with Department Staff, the revised Appendix E calculates the proposed incentive using the 3-month treasury bill rate, consistent with Section 5 of the Department's Final Guidelines in D.T.E. 98-100.

The difference between the performance incentive of \$26,802, as originally proposed, and the amended incentive of \$7,408, amounts to \$19,324. This difference will be distributed among the budgets for each of the programs according to each of the program's contribution level so that the overall budget remains unchanged.

Mary L. Cottrell, Secretary
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FG&E proposes to implement the gas energy efficiency programs as soon as possible following the Department's approval of its filing, as revised. FG&E would also file a compliance tariff to reflect this change following a Department order. FG&E will not, however, implement the performance incentive until after October 31, 2003, the expiration date of the Settlement in D.T.E. 00-48.

Very truly yours,



Meabh Purcell

MP:rtm

Cc: Jody Stiefel, Esq., Hearing Officer
George Yiankos
Jerrold Oppenheim, Esq.
Scott Albert
Bs89389

Bs89357

Fitchburg Gas And Electric Light Company

Proposed Performance Incentive

Table E-1: Performance Incentive, by Sector
November 2003 through October 2004

Residential:

1. Total Resource Cost (TRC) Test			
a. Target TRC Ratio			1.38
b. Threshold TRC Ratio			1.00
2. Lifetime Therms			
a. Target Lifetime Therms			616,308
b. Threshold Therms	Ln 2a * 75% ^{Note 1}		462,231
3. Program Costs			
a. Program Costs -- Budget	Nominal Dollars ^{Note 2}	\$	225,022
4. Incentive Percentage			
a. Benefit/Cost Percentage			1.13%
b. Lifetime Therm Percentage			1.13%
5. Target Residential Incentive			
a. B/C Incentive:	Ln 3a * Ln 4a	\$	2,531
b. Lifetime Therm Incentive:	Ln 3a * Ln 4b	\$	2,531
c. Target Incentive	Ln 5a + Ln 5b	\$	<u>5,063</u>
d. Cap	Ln 5c * 125% ^{Note 1}	\$	6,329

Commercial & Industrial:

6. Benefit/Cost Ratio			
a. Target Benefit/Cost Ratio			1.73
b. Threshold Benefit/Cost Ratio			1.00
7. Lifetime MWh			
a. Target Lifetime Therm			649,120
b. Threshold Therm	Ln 7a * 75% ^{Note 1}		486,840
8. Program Costs			
a. Program Costs -- Budget	Nominal Dollars ^{Note 2}	\$	104,241
9. Incentive Percentage			
a. Benefit/Cost Percentage			1.13%
b. Lifetime Therm Percentage			1.13%
10. Target C&I Incentive			
a. B/C Incentive:	Ln 8a * Ln 9a		1,173
b. Lifetime Therm Incentive:	Ln 8a * Ln 9b	\$	1,173
c. Target Incentive	Ln 10a + Ln 10b	\$	<u>2,345</u>
d. Cap	Ln 10c * 125% ^{Note 1}	\$	2,932
11. Total Target Incentive			
	Ln 5c + Ln 10c	\$	<u>7,408</u>
12. Performance Incentive Rate			
	Before Tax ^{Notes 3, 4}		<u>2.25%</u>

Notes:

- Threshold and cap percentages have been changed to reflect D.T.E. Guidelines.
- Program costs shown in Table 23 - Lines 3a and 8a are in nominal dollars. Program costs shown on Table 24, Lines 2 and 7 are in NPV 2003\$'s.
- Per D.T.E. Guidelines (D.T.E. 98-100), the after-tax design-level incentive is equal to the 12 month average of U.S. 3-Month Treasury bill - 6/02 through 5/03 -- 1.38%.
- FG&E's current effective tax rate is 38.57%.
Before tax rate calculation: $1.38\% \div (1 - 38.57\%) = 2.25\%$.

Fitchburg Gas And Electric Light Company
Proposed Performance Incentive

Table E-2: Total Resource Cost Test, by Sector
November 2003 through October 2004

		NPV \$2003
Residential:		Planned
1. Program Benefits	Note 1	\$ 246,444
2. Program Costs (excluding Shareholder Incentive)		\$ 167,461
3. Customer Contribution		\$ 11,019
4. Total Costs		\$ 178,480
5. TRC Test -- Residential	Ln 1 ÷ Ln 4	1.38
		NPV \$2003
Commercial & Industrial:		Planned
6. Program Benefits	Note 1	\$ 273,435
7. Program Costs (excluding Shareholder Incentive)		\$ 94,969
8. Customer Contribution		\$ 63,397
9. Total Costs		\$ 158,366
10. TRC Test -- C&I	Ln 6 ÷ Ln 9	1.73

Notes:

1. Program costs shown in Lines 2 and 7 are in NPV 2003\$'s. Program costs shown in Table 1 are in nominal dollars.

Fitchburg Gas And Electric Light Company
Proposed Performance Incentive

Table E-3: Lifetime Therm Savings, by Sector
November 2003 through October 2004

	Lifetime Th Planned
Residential:	
1. GasNetworks (Residential)	137,120
2. Residential Weatherization	253,647
3. Low Income Efficiency	225,541
4. Website Development / Maintenance	-
5. Total Residential	616,308
Commercial & Industrial:	
6. Small / Medium C&I Custom	341,120
7. Large C&I Custom	308,000
8. Total Commercial & Industrial	649,120